

AMENDED IN ASSEMBLY JUNE 19, 2012

AMENDED IN SENATE APRIL 10, 2012

SENATE BILL

No. 1405

Introduced by Senator De León

February 24, 2012

An act to *amend, repeal, and add Sections 5072, 5096, 5096.1, 5096.2, 5096.3 5096.4, 5096.5, 5096.6, 5096.7, 5096.10, 5096.12, 5096.13, 5096.14, and 5096.15 of, to, add Sections 5058.4 and 5070.2 to, and to add and repeal Sections 5096.20 and 5096.21 of, the Business and Professions Code, relating to accountancy.*

LEGISLATIVE COUNSEL'S DIGEST

SB 1405, as amended, De León. Accountancy: military service: ~~inactive status practice privilege.~~

Existing law provides for the licensure and regulation of the practice of accountancy by the California Board of Accountancy within the Department of Consumer Affairs. The department is under the control of the Director of Consumer Affairs.

Existing

(1) Existing law provides for the regulation of various professions and vocations by boards within the Department of Consumer Affairs and for the licensure of individuals in that regard. Existing law authorizes any licensee whose license expired while he or she was on active duty as a member of the California National Guard or the United States Armed Forces to reinstate his or her license without examination or penalty if certain requirements are met. Existing law provides for the licensure and regulation of the practice of accountancy by the California Board of Accountancy. A permit issued to a certified public accountant or a public accountant is subject to a biennial renewal fee.

Existing law also imposes certain continuing education and peer review requirements on persons licensed by the board. Existing law makes violation of certain provisions governing accountants a crime.

This bill, beginning January 1, 2014, would authorize a certified public accountant or a public accountant to apply to the board to have his or her permit placed in a military inactive status while he or she is engaged in active duty as a member of the California National Guard or the United States Armed Forces, and would exempt a person granted that status from paying the biennial renewal fee or participating in continuing education and peer review activities. The bill would prohibit a person in military exempt status from engaging in the practice of public accountancy and would impose various other requirements. The bill would thereby change the definition of a crime and impose a state-mandated local program. The bill would require a person in military exempt status to pay the biennial renewal fee and to meet continuing education and peer review requirements within a specified period after his or her discharge from active duty.

(2) Existing law authorizes an individual whose principal place of business is not in this state, and who has a valid and current license, certificate, or permit, to practice public accountancy from another state, and to engage in the practice of public accountancy in this state under a practice privilege if a condition is satisfied. Under existing law, if such a condition is met, the individual, in order to obtain a practice privilege, is required to, among other things, provide notice to the board by submitting a notification form and pay fees, as specified. Existing law provides that an individual with a practice privilege is subject to the personal and subject matter jurisdiction and disciplinary authority of the board and the state courts and is required to comply with the accountancy provisions applicable to licensees. Under existing law, except as otherwise specified, a practice privilege expires one year from the date of the notice to the board. Existing law authorizes the board to deny practice privileges using specified procedures. Existing law prohibits an individual with a practice privilege from signing an attest report unless he or she meets specified experience requirements and completes any continuing education or other conditions as required by the board. Existing law makes these provisions operative only if there is a specified appropriation in the annual Budget Act to fund the practice privilege provisions.

This bill would, commencing July 1, 2013, and until January 1, 2019, eliminate the notification form and fee requirements and would instead

authorize an individual otherwise meeting a condition for a practice privilege to perform certain audit and financial statement review services only through a firm of certified public accountants that is required to be registered with the board. The bill would require the individual to cease practicing for a specified period of time under the practice privilege in this state if the regulatory agency in the state where the individual is licensed, among other things, suspends or revokes the license or takes specified disciplinary action against the individual or the individual is convicted of a crime involving dishonesty. The bill would require an individual who is required to cease practice to notify the board and cease practice and would make an individual who violates these requirements subject to specified discipline by the board. The bill would require an individual, within a specified time period before he or she wishes to practice in this state to notify the board and shall not practice until the board provides the person with written permission to do so if certain circumstances apply. The bill would eliminate the expiration on a practice privilege and would also eliminate the board's authority to deny a practice privilege, except as specified, and would authorize the board to instead revoke such a privilege. If the board revokes a practice privilege, the bill would require the board to notify the regulatory agency of the state where the individual is licensed and certain federal regulatory agencies. With respect to the signing of attestation reports, the bill would eliminate the continuing education or other conditions requirements required by the board. The bill would also delete that provision making these provisions contingent on a specified appropriation in the annual Budget Act.

The bill would require the board, prior to July 1, 2013, to add specified content to its Internet Web site in order to allow consumers to obtain license information about individuals with a practice privilege.

Commencing January 1, 2016, the bill would authorize the board to make a determination based on specified factors about whether allowing individuals from a particular state to practice pursuant to a practice privilege violates the board's duty to protect the public. If the board were to make such a determination, the bill would require the board to require those individuals, except as specified, to file the notification form and pay specified fees. The bill would require the board to report to the relevant policy committees of the Legislature and the director preliminary determinations made pursuant to these provisions no later than July 1, 2015.

The bill would, by January 1, 2018, require the board to prepare a report to be provided to the relevant policy committees of the Legislature and the director detailing, among other things, how the board has implemented these practice privilege provisions.

The bill would, by July 1, 2014, require the board to convene a specified stakeholder group to consider whether the penalties imposed pursuant to the practice privilege provisions are sufficient to deter violations.

The bill would make other related conforming changes.

Existing law prohibits a person from engaging in the practice of accountancy as a partnership unless the partnership is registered with the board. Existing law requires a partnership to meet certain requirements in order to be registered, including, that at least one general partner holds a specified permit or is an applicant for a specified certificate.

This bill would additionally authorize a partnership registered to provides certain services, as described above, to meet those requirements.

The California Constitution requires the state to reimburse local agencies and school districts for certain costs mandated by the state. Statutory provisions establish procedures for making that reimbursement.

This bill would provide that no reimbursement is required by this act for a specified reason.

Vote: majority. Appropriation: no. Fiscal committee: yes.
State-mandated local program: yes.

The people of the State of California do enact as follows:

- 1 SECTION 1. Section 5058.4 is added to the Business and
- 2 Professions Code, to read:
- 3 5058.4. The holder of a permit in a military inactive status
- 4 issued by the board pursuant to Section 5070.2, when lawfully
- 5 using the title “certified public accountant,” the CPA designation,
- 6 or any other reference that would suggest that the person is licensed
- 7 by the board, on materials such as correspondence, Internet Web
- 8 sites, business cards, nameplates, or name plaques, shall place the
- 9 term “military inactive” immediately after that title, designation,
- 10 or reference.
- 11 SEC. 2. Section 5070.2 is added to the Business and Professions
- 12 Code, to read:

1 5070.2. (a) (1) Beginning January 1, 2014, a holder of a permit
2 may apply to have his or her permit placed in a military inactive
3 status if the holder of a permit is engaged in, and provides sufficient
4 evidence of, active duty as a member of the California National
5 Guard or the United States Armed Forces.

6 (2) The board shall deny an applicant's application for a military
7 inactive status permit if the permit issued pursuant to Section 5070
8 is canceled or if it is suspended, revoked, or otherwise punitively
9 restricted by the board or subject to disciplinary action under this
10 chapter.

11 (b) No holder of a permit in a military inactive status shall
12 engage in any activity for which a permit is required.

13 (c) The holder of a permit in a military inactive status shall be
14 exempt from all of the following:

15 (1) Payment of the biennial renewal fee described in subdivision
16 (f) of Section 5134.

17 (2) The continuing education requirements of Section 5027.

18 (3) The peer review requirements of Section 5076.

19 (d) In order to convert a permit status from military inactive
20 status prior to discharge from active duty as a member of the
21 California National Guard or the United States Armed Forces, the
22 holder of a permit in a military inactive status shall comply with
23 all of the following requirements:

24 (1) Pay the current biennial renewal fee described in subdivision
25 (f) of Section 5134.

26 (2) Meet continuing education requirements as prescribed by
27 the board.

28 (3) Meet the peer review requirements as prescribed by the
29 board.

30 (e) The holder of a permit in a military inactive status shall,
31 within one year from his or her discharge from active duty as a
32 member of the California National Guard or the United States
33 Armed Forces, comply with all of the following requirements:

34 (1) Provide evidence to the board of the discharge date.

35 (2) Pay the current biennial renewal fee described in subdivision
36 (f) of Section 5134.

37 (3) Meet continuing education requirements as prescribed by
38 the board.

39 (4) Meet the peer review requirements as prescribed by the
40 board.

(f) The board may adopt regulations as necessary to administer this section.

SEC. 3. Section 5072 of the Business and Professions Code is amended to read:

5072. (a) No persons shall engage in the practice of accountancy as a partnership unless the partnership is registered by the board.

(b) A partnership, other than a limited partnership, may be registered by the board to engage in the practice of public accountancy provided it meets the following requirements:

(1) At least one general partner shall hold a valid permit to practice as a certified public accountant, public accountant, or accountancy corporation, or shall be an applicant for a certificate as a certified public accountant under Sections 5087 and 5088.

(2) Each partner personally engaged within this state in the practice of public accountancy as defined by Section 5051 shall hold a valid permit to practice in this state or shall have applied for a certificate as a certified public accountant under Sections 5087 and 5088.

(3) Each partner not personally engaged in the practice of public accountancy within this state shall be a certified public accountant in good standing of some state, except as permitted by Section 5079.

(4) Each resident manager in charge of an office of the firm in this state shall be a licensee in good standing of this state, or shall have applied for a certificate as a certified public accountant under Sections 5087 and 5088.

(c) This section shall become inoperative on July 1, 2013, and, as of January 1, 2014, is repealed, unless a later enacted statute, that becomes operative on or before January 1, 2014, deletes or extends the dates on which it becomes inoperative and is repealed.

SEC. 4. Section 5072 is added to the Business and Professions Code, to read:

5072. (a) No persons shall engage in the practice of accountancy as a partnership unless the partnership is registered by the board.

(b) A partnership, other than a limited partnership, may be registered by the board to engage in the practice of public accountancy provided it meets the following requirements:

1 (1) At least one general partner shall hold a valid permit to
2 practice as a certified public accountant, public accountant, or
3 accountancy corporation, or shall be an applicant for a certificate
4 as a certified public accountant under Sections 5087 and 5088,
5 or the partnership shall be registered pursuant to subdivision (c)
6 of Section 5096.12.

7 (2) Each partner personally engaged within this state in the
8 practice of public accountancy as defined by Section 5051 shall
9 hold a valid permit to practice in this state or shall have applied
10 for a certificate as a certified public accountant under Sections
11 5087 and 5088, except for a partner with practice privileges
12 pursuant to Section 5096.

13 (3) Each partner not personally engaged in the practice of public
14 accountancy within this state shall be a certified public accountant
15 in good standing of some state, except as permitted by Section
16 5079.

17 (4) Each resident manager in charge of an office of the firm in
18 this state shall be a licensee in good standing of this state, or shall
19 have applied for a certificate as a certified public accountant under
20 Sections 5087 and 5088.

21 (c) This section shall become operative on July 1, 2013.

22 (d) This section shall remain in effect only until January 1, 2019,
23 and as of that date is repealed, unless a later enacted statute, that
24 is enacted before January 1, 2019, deletes or extends that date.

25 SEC. 5. Section 5072 is added to the Business and Professions
26 Code, to read:

27 5072. (a) No persons shall engage in the practice of
28 accountancy as a partnership unless the partnership is registered
29 by the board.

30 (b) A partnership, other than a limited partnership, may be
31 registered by the board to engage in the practice of public
32 accountancy provided it meets the following requirements:

33 (1) At least one general partner shall hold a valid permit to
34 practice as a certified public accountant, public accountant, or
35 accountancy corporation, or shall be an applicant for a certificate
36 as a certified public accountant under Sections 5087 and 5088.

37 (2) Each partner personally engaged within this state in the
38 practice of public accountancy as defined by Section 5051 shall
39 hold a valid permit to practice in this state or shall have applied

1 *for a certificate as a certified public accountant under Sections*
2 *5087 and 5088.*

3 *(3) Each partner not personally engaged in the practice of public*
4 *accountancy within this state shall be a certified public accountant*
5 *in good standing of some state, except as permitted by Section*
6 *5079.*

7 *(4) Each resident manager in charge of an office of the firm in*
8 *this state shall be a licensee in good standing of this state, or shall*
9 *have applied for a certificate as a certified public accountant under*
10 *Sections 5087 and 5088.*

11 *(c) This section shall become operative on January 1, 2019.*

12 *SEC. 6. Section 5096 of the Business and Professions Code is*
13 *amended to read:*

14 5096. (a) An individual whose principal place of business is
15 not in this state and who has a valid and current license, certificate
16 or permit to practice public accountancy from another state may,
17 subject to the conditions and limitations in this article, engage in
18 the practice of public accountancy in this state under a practice
19 privilege without obtaining a certificate or license under this
20 chapter if the individual satisfies one of the following:

21 (1) The individual has continually practiced public accountancy
22 as a certified public accountant under a valid license issued by any
23 state for at least four of the last ten years.

24 (2) The individual has a license, certificate, or permit from a
25 state which has been determined by the board to have education,
26 examination, and experience qualifications for licensure
27 substantially equivalent to this state's qualifications under Section
28 5093.

29 (3) The individual possesses education, examination, and
30 experience qualifications for licensure which have been determined
31 by the board to be substantially equivalent to this state's
32 qualifications under Section 5093.

33 (b) The board may designate states as substantially equivalent
34 under paragraph (2) of subdivision (a) and may accept individual
35 qualification evaluations or appraisals conducted by designated
36 entities, as satisfying the requirements of paragraph (3) of
37 subdivision (a).

38 (c) To obtain a practice privilege under this section, an
39 individual who meets the requirements of subdivision (a), shall do
40 the following:

1 (1) In the manner prescribed by board regulation, notify the
2 board of the individual's intent to practice.

3 (2) Pay a fee as provided in Article 8 (commencing with Section
4 5130).

5 (d) Except as otherwise provided by this article or by board
6 regulation, the practice privilege commences when the individual
7 notifies the board, provided the fee is received by the board within
8 30 days of that date. The board shall permit the notification to be
9 provided electronically.

10 (e) An individual who holds a practice privilege under this
11 article:

12 (1) Is subject to the personal and subject matter jurisdiction and
13 disciplinary authority of the board and the courts of this state.

14 (2) Shall comply with the provisions of this chapter, board
15 regulations, and other laws, regulations, and professional standards
16 applicable to the practice of public accountancy by the licensees
17 of this state and to any other laws and regulations applicable to
18 individuals practicing under practice privileges in this state except
19 the individual is deemed, solely for the purpose of this article, to
20 have met the continuing education requirements and ethics
21 examination requirements of this state when such individual has
22 met the examination and continuing education requirements of the
23 state in which the individual holds the valid license, certificate, or
24 permit on which the substantial equivalency is based.

25 (3) Shall not provide public accountancy services in this state
26 from any office located in this state, except as an employee of a
27 firm registered in this state. This paragraph does not apply to public
28 accountancy services provided to a client at the client's place of
29 business or residence.

30 (4) Is deemed to have appointed the regulatory agency of the
31 state that issued the individual's certificate, license, or permit upon
32 which substantial equivalency is based as the individual's agent
33 on whom notices, subpoenas or other process may be served in
34 any action or proceeding by the board against the individual.

35 (5) Shall cooperate with any board investigation or inquiry and
36 shall timely respond to a board investigation, inquiry, request,
37 notice, demand or subpoena for information or documents and
38 timely provide to the board the identified information and
39 documents.

1 (f) A practice privilege expires one year from the date of the
2 notice, unless a shorter period is set by board regulation.

3 (g) (1) No individual may practice under a practice privilege
4 without prior approval of the board if the individual has, or acquires
5 at any time during the term of the practice privilege, any
6 disqualifying condition under paragraph (2) of this subdivision.

7 (2) Disqualifying conditions include:

8 (A) Conviction of any crime other than a minor traffic violation.

9 (B) Revocation, suspension, denial, surrender or other discipline
10 or sanctions involving any license, permit, registration, certificate
11 or other authority to practice any profession in this or any other
12 state or foreign country or to practice before any state, federal, or
13 local court or agency, or the Public Company Accounting Oversight
14 Board.

15 (C) Pendency of any investigation, inquiry or proceeding by or
16 before any state, federal or local court or agency, including, but
17 not limited to, the Public Company Accounting Oversight Board,
18 involving the professional conduct of the individual.

19 (D) Any judgment or arbitration award against the individual
20 involving the professional conduct of the individual in the amount
21 of thirty thousand dollars (\$30,000) or greater.

22 (E) Any other conditions as specified by the board in regulation.

23 (3) The board may adopt regulations exempting specified minor
24 occurrences of the conditions listed in subparagraph (B) of
25 paragraph (2) from being disqualifying conditions under this
26 subdivision.

27 (h) *This section shall become inoperative on July 1, 2013, and,*
28 *as of January 1, 2014, is repealed, unless a later enacted statute,*
29 *that becomes operative on or before January 1, 2014, deletes or*
30 *extends the dates on which it becomes inoperative and is repealed.*

31 SEC. 7. *Section 5096 is added to the Business and Professions*
32 *Code, to read:*

33 5096. (a) *An individual whose principal place of business is*
34 *not in this state and who has a valid and current license, certificate*
35 *or permit to practice public accountancy from another state may,*
36 *subject to the conditions and limitations in this article, engage in*
37 *the practice of public accountancy in this state under a practice*
38 *privilege without obtaining a certificate or license under this*
39 *chapter if the individual satisfies one of the following:*

1 (1) *The individual has continually practiced public accountancy*
2 *as a certified public accountant under a valid license issued by*
3 *any state for at least four of the last 10 years.*

4 (2) *The individual has a license, certificate, or permit from a*
5 *state which has been determined by the board to have education,*
6 *examination, and experience qualifications for licensure*
7 *substantially equivalent to this state's qualifications under Section*
8 *5093.*

9 (3) *The individual possesses education, examination, and*
10 *experience qualifications for licensure which have been determined*
11 *by the board to be substantially equivalent to this state's*
12 *qualifications under Section 5093.*

13 (b) *The board may designate states as substantially equivalent*
14 *under paragraph (2) of subdivision (a) and may accept individual*
15 *qualification evaluations or appraisals conducted by designated*
16 *entities, as satisfying the requirements of paragraph (3) of*
17 *subdivision (a).*

18 (c) *An individual who qualifies for the practice privilege under*
19 *this section may engage in the practice of public accountancy in*
20 *this state, and no notice, fee, or other requirement shall be imposed*
21 *on that individual by the board.*

22 (d) *An individual who qualifies for the practice privilege under*
23 *this section may perform the following services only through a*
24 *firm of certified public accountants that has obtained a registration*
25 *from the board pursuant to Section 5096.12:*

26 (1) *An audit or review of a financial statement for an entity*
27 *headquartered in California.*

28 (2) *A compilation of a financial statement when that person*
29 *expects, or reasonably might expect, that a third party will use the*
30 *financial statement and the compilation report does not disclose*
31 *a lack of independence for an entity headquartered in California.*

32 (3) *An examination of prospective financial information for an*
33 *entity headquartered in California.*

34 (e) *An individual who holds a practice privilege under this*
35 *article:*

36 (1) *Is subject to the personal and subject matter jurisdiction*
37 *and disciplinary authority of the board and the courts of this state.*

38 (2) *Shall comply with the provisions of this chapter, board*
39 *regulations, and other laws, regulations, and professional*
40 *standards applicable to the practice of public accountancy by the*

1 licensees of this state and to any other laws and regulations
2 applicable to individuals practicing under practice privileges in
3 this state except the individual is deemed, solely for the purpose
4 of this article, to have met the continuing education requirements
5 and ethics examination requirements of this state when such
6 individual has met the examination and continuing education
7 requirements of the state in which the individual holds the valid
8 license, certificate, or permit on which the substantial equivalency
9 is based.

10 (3) Shall not provide public accountancy services in this state
11 from any office located in this state, except as an employee of a
12 firm registered in this state. This paragraph does not apply to
13 public accountancy services provided to a client at the client's
14 place of business or residence.

15 (4) Is deemed to have appointed the regulatory agency of the
16 state that issued the individual's certificate, license, or permit
17 upon which substantial equivalency is based as the individual's
18 agent on whom notices, subpoenas or other process may be served
19 in any action or proceeding by the board against the individual.

20 (5) Shall cooperate with any board investigation or inquiry and
21 shall timely respond to a board investigation, inquiry, request,
22 notice, demand or subpoena for information or documents and
23 timely provide to the board the identified information and
24 documents.

25 (6) Shall cease exercising the practice privilege in this state if
26 the regulatory agency in the state in which the individual's
27 certificate, license, or permit was issued takes action resulting in
28 the suspension or revocation of the individual's certificate, license,
29 or permit, or takes other disciplinary action against the individual's
30 certificate, license, or permit that arises from any of the following:

31 (A) Gross negligence, recklessness, or intentional wrongdoing
32 relating to the practice of public accountancy.

33 (B) Fraud or misappropriation of funds.

34 (C) Preparation, publication, or dissemination of false,
35 fraudulent, or materially incomplete or misleading financial
36 statements, reports, or information.

37 (7) Shall cease exercising the practice privilege in this state if
38 convicted in any jurisdiction of any crime involving dishonesty.

39 (8) Shall cease exercising the practice privilege if the U.S.
40 Securities and Exchange Commission or the Public Company

1 *Accounting Oversight Board bars the individual from practicing*
2 *before them.*

3 *(f) An individual who is required to cease practice pursuant to*
4 *paragraphs (6) to (8), inclusive, of subdivision (e) shall notify the*
5 *board within 15 calendar days, on a form prescribed by the board,*
6 *and shall not practice public accountancy in this state pursuant*
7 *to this section until he or she has received from the board written*
8 *permission to do so.*

9 *(g) An individual who fails to cease practice as required by*
10 *subdivision (e) or that fails to provide the notice required by*
11 *subdivision (f) shall be subject to the personal and subject matter*
12 *jurisdiction and disciplinary authority of the board as if the*
13 *practice privilege were a license and the individual were a licensee.*
14 *An individual in violation of subdivision (e) or (f) shall, for a*
15 *minimum of one year from the date the board learns there has*
16 *been a violation of subdivision (e) or (f), not practice in this state*
17 *and shall not have the possibility of reinstatement during that*
18 *period. If the board determines that the failure to cease practice*
19 *or provide the notice was intentional, that individual's practice*
20 *privilege shall be revoked and there shall be no possibility of*
21 *reinstatement for a minimum of two years.*

22 *(h) The board shall require an individual who provides notice*
23 *to the board pursuant subdivision (f) to cease the practice public*
24 *accountancy in this state until the board provides the individual*
25 *with written permission to resume the practice of public*
26 *accountancy in this state.*

27 *(i) (1) An individual to whom who, within the last seven years*
28 *immediately preceding the date on which he or she wishes to*
29 *practice in this state shall notify the board, on a form prescribed*
30 *by the board, and shall not practice public accountancy in this*
31 *state, any of the following criteria apply pursuant to this section*
32 *until the board provides the individual with written permission to*
33 *do:*

34 *(A) He or she has been the subject of any final disciplinary*
35 *action by the licensing or disciplinary authority of any other*
36 *jurisdiction with respect to any professional license or has any*
37 *charges of professional misconduct pending against him or her in*
38 *any other jurisdiction.*

39 *(B) He or she has had his or her license in another jurisdiction*
40 *reinstated after a suspension or revocation of the license.*

1 (C) He or she has been denied issuance or renewal of a
2 professional license or certificate in any other jurisdiction for any
3 reason other than an inadvertent administrative error.

4 (D) He or she has been convicted of a crime or is subject to
5 pending criminal charges in any jurisdiction other than a minor
6 traffic violation.

7 (E) He or she has otherwise acquired a disqualifying condition
8 as described in Section 5096.

9 (2) An individual who fails to cease practice as required by
10 subdivision (e) or who fails to provide the notice required by
11 paragraph (1) shall be subject to the personal and subject matter
12 jurisdiction and disciplinary authority of the board as if the
13 practice privilege were a license and the individual were a licensee.
14 An individual in violation of subdivision (e) or paragraph (1) shall,
15 for a minimum of one year from the date the board knows there
16 has been a violation of subdivision (e) or paragraph (1), not
17 practice in this state and shall not have the possibility of
18 reinstatement during that period. If the board determines that the
19 failure to cease practice or provide the notice was intentional, that
20 individual shall be prohibited from practicing in this state in the
21 same manner as if a licensee has their practice privilege revoked
22 and there shall be no possibility of reinstatement for a minimum
23 of two years.

24 (h) This section shall become operative on July 1, 2013.

25 (i) This section shall remain in effect only until January 1, 2019,
26 and as of that date is repealed, unless a later enacted statute, that
27 is enacted before January 1, 2019, deletes or extends that date.

28 SEC. 8. Section 5096 is added to the Business and Professions
29 Code, to read:

30 5096. (a) An individual whose principal place of business is
31 not in this state and who has a valid and current license, certificate
32 or permit to practice public accountancy from another state may,
33 subject to the conditions and limitations in this article, engage in
34 the practice of public accountancy in this state under a practice
35 privilege without obtaining a certificate or license under this
36 chapter if the individual satisfies one of the following:

37 (1) The individual has continually practiced public accountancy
38 as a certified public accountant under a valid license issued by
39 any state for at least four of the last 10 years.

1 (2) *The individual has a license, certificate, or permit from a*
2 *state which has been determined by the board to have education,*
3 *examination, and experience qualifications for licensure*
4 *substantially equivalent to this state's qualifications under Section*
5 *5093.*

6 (3) *The individual possesses education, examination, and*
7 *experience qualifications for licensure which have been determined*
8 *by the board to be substantially equivalent to this state's*
9 *qualifications under Section 5093.*

10 (b) *The board may designate states as substantially equivalent*
11 *under paragraph (2) of subdivision (a) and may accept individual*
12 *qualification evaluations or appraisals conducted by designated*
13 *entities, as satisfying the requirements of paragraph (3) of*
14 *subdivision (a).*

15 (c) *To obtain a practice privilege under this section, an*
16 *individual who meets the requirements of subdivision (a), shall do*
17 *the following:*

18 (1) *In the manner prescribed by board regulation, notify the*
19 *board of the individual's intent to practice.*

20 (2) *Pay a fee as provided in Article 8 (commencing with Section*
21 *5130).*

22 (d) *Except as otherwise provided by this article or by board*
23 *regulation, the practice privilege commences when the individual*
24 *notifies the board, provided the fee is received by the board within*
25 *30 days of that date. The board shall permit the notification to be*
26 *provided electronically.*

27 (e) *An individual who holds a practice privilege under this*
28 *article:*

29 (1) *Is subject to the personal and subject matter jurisdiction*
30 *and disciplinary authority of the board and the courts of this state.*

31 (2) *Shall comply with the provisions of this chapter, board*
32 *regulations, and other laws, regulations, and professional*
33 *standards applicable to the practice of public accountancy by the*
34 *licensees of this state and to any other laws and regulations*
35 *applicable to individuals practicing under practice privileges in*
36 *this state except the individual is deemed, solely for the purpose*
37 *of this article, to have met the continuing education requirements*
38 *and ethics examination requirements of this state when such*
39 *individual has met the examination and continuing education*
40 *requirements of the state in which the individual holds the valid*

1 *license, certificate, or permit on which the substantial equivalency*
2 *is based.*

3 *(3) Shall not provide public accountancy services in this state*
4 *from any office located in this state, except as an employee of a*
5 *firm registered in this state. This paragraph does not apply to*
6 *public accountancy services provided to a client at the client's*
7 *place of business or residence.*

8 *(4) Is deemed to have appointed the regulatory agency of the*
9 *state that issued the individual's certificate, license, or permit*
10 *upon which substantial equivalency is based as the individual's*
11 *agent on whom notices, subpoenas or other process may be served*
12 *in any action or proceeding by the board against the individual.*

13 *(5) Shall cooperate with any board investigation or inquiry and*
14 *shall timely respond to a board investigation, inquiry, request,*
15 *notice, demand or subpoena for information or documents and*
16 *timely provide to the board the identified information and*
17 *documents.*

18 *(f) A practice privilege expires one year from the date of the*
19 *notice, unless a shorter period is set by board regulation.*

20 *(g) (1) No individual may practice under a practice privilege*
21 *without prior approval of the board if the individual has, or*
22 *acquires at any time during the term of the practice privilege, any*
23 *disqualifying condition under paragraph (2) of this subdivision.*

24 *(2) Disqualifying conditions include:*

25 *(A) Conviction of any crime other than a minor traffic violation.*

26 *(B) Revocation, suspension, denial, surrender or other discipline*
27 *or sanctions involving any license, permit, registration, certificate*
28 *or other authority to practice any profession in this or any other*
29 *state or foreign country or to practice before any state, federal,*
30 *or local court or agency, or the Public Company Accounting*
31 *Oversight Board.*

32 *(C) Pendency of any investigation, inquiry or proceeding by or*
33 *before any state, federal or local court or agency, including, but*
34 *not limited to, the Public Company Accounting Oversight Board,*
35 *involving the professional conduct of the individual.*

36 *(D) Any judgment or arbitration award against the individual*
37 *involving the professional conduct of the individual in the amount*
38 *of thirty thousand dollars (\$30,000) or greater.*

39 *(E) Any other conditions as specified by the board in regulation.*

1 (3) *The board may adopt regulations exempting specified minor*
2 *occurrences of the conditions listed in subparagraph (B) of*
3 *paragraph (2) from being disqualifying conditions under this*
4 *subdivision.*

5 (h) *This section shall become operative on January 1, 2019.*

6 SEC. 9. *Section 5096.1 of the Business and Professions Code*
7 *is amended to read:*

8 5096.1. (a) Any individual, not a licensee of this state, who is
9 engaged in any act which is the practice of public accountancy in
10 this state, and who has not given notice of intent to practice under
11 practice privileges and paid the fee required pursuant to the
12 provisions of this article, and who has a license, certificate or other
13 authority to engage in the practice of public accountancy in any
14 other state, regardless of whether active, inactive, suspended, or
15 subject to renewal on payment of a fee or completion of an
16 educational or ethics requirement, is:

17 (1) Deemed to be practicing public accountancy unlawfully in
18 this state.

19 (2) Subject to the personal and subject matter jurisdiction and
20 disciplinary authority of the board and the courts of this state to
21 the same extent as a holder of a valid practice privilege.

22 (3) Deemed to have appointed the regulatory agency of the state
23 that issued the individual's certificate or license as the individual's
24 agent on whom notice, subpoenas, or other process may be served
25 in any action or proceeding by the board against the individual.

26 (b) The board may prospectively deny a practice privilege to
27 any individual who has violated this section or implementing
28 regulations or committed any act which would be grounds for
29 discipline against the holder of a practice privilege.

30 (c) *This section shall become inoperative on July 1, 2013, and,*
31 *as of January 1, 2014, is repealed, unless a later enacted statute,*
32 *that becomes operative on or before January 1, 2014, deletes or*
33 *extends the dates on which it becomes inoperative and is repealed.*

34 SEC. 10. *Section 5096.1 is added to the Business and*
35 *Professions Code, to read:*

36 5096.1. (a) Any individual, not a licensee of this state, who is
37 engaged in any act which is the practice of public accountancy in
38 this state, and who does not qualify to practice pursuant to the
39 practice privilege described in Section 5096 and who has a license,
40 certificate, or other authority to engage in the practice of public

1 *accountancy in any other state, regardless of whether active,*
2 *inactive, suspended, or subject to renewal on payment of a fee or*
3 *completion of an educational or ethics requirement, is:*

4 *(1) Deemed to be practicing public accountancy unlawfully in*
5 *this state.*

6 *(2) Subject to the personal and subject matter jurisdiction and*
7 *disciplinary authority of the board and the courts of this state to*
8 *the same extent as a holder of a valid practice privilege.*

9 *(3) Deemed to have appointed the regulatory agency of the state*
10 *that issued the individual's certificate or license as the individual's*
11 *agent on whom notice, subpoenas, or other process may be served*
12 *in any action or proceeding by the board against the individual.*

13 *(b) The board may revoke a practice privilege from any*
14 *individual who has violated this section or implementing*
15 *regulations or committed any act which would be grounds for*
16 *discipline against the holder of a practice privilege.*

17 *(c) This section shall become operative on July 1, 2013.*

18 *(d) This section shall remain in effect only until January 1, 2019,*
19 *and as of that date is repealed, unless a later enacted statute, that*
20 *is enacted before January 1, 2019, deletes or extends that date.*

21 *SEC. 11. Section 5096.1 is added to the Business and*
22 *Professions Code, to read:*

23 *5096.1. (a) Any individual, not a licensee of this state, who is*
24 *engaged in any act which is the practice of public accountancy in*
25 *this state, and who has not given notice of intent to practice under*
26 *practice privileges and paid the fee required pursuant to the*
27 *provisions of this article, and who has a license, certificate or*
28 *other authority to engage in the practice of public accountancy in*
29 *any other state, regardless of whether active, inactive, suspended,*
30 *or subject to renewal on payment of a fee or completion of an*
31 *educational or ethics requirement, is:*

32 *(1) Deemed to be practicing public accountancy unlawfully in*
33 *this state.*

34 *(2) Subject to the personal and subject matter jurisdiction and*
35 *disciplinary authority of the board and the courts of this state to*
36 *the same extent as a holder of a valid practice privilege.*

37 *(3) Deemed to have appointed the regulatory agency of the state*
38 *that issued the individual's certificate or license as the individual's*
39 *agent on whom notice, subpoenas, or other process may be served*
40 *in any action or proceeding by the board against the individual.*

1 ***(b) The board may prospectively deny a practice privilege to***
2 ***any individual who has violated this section or implementing***
3 ***regulations or committed any act which would be grounds for***
4 ***discipline against the holder of a practice privilege.***

5 ***(c) This section shall become operative on January 1, 2019.***

6 ***SEC. 12. Section 5096.2 of the Business and Professions Code***
7 ***is amended to read:***

8 5096.2. (a) Practice privileges may be denied for failure to
9 qualify under or comply with the provisions of this article or
10 implementing regulations, or for any act that if committed by an
11 applicant for licensure would be grounds for denial of a license
12 under Section 480 or if committed by a licensee would be grounds
13 for discipline under Section 5100, or for any act committed outside
14 of this state that would be a violation if committed within this state.

15 (b) The board may deny practice privileges using either of the
16 following procedures:

17 (1) Notifying the individual in writing of all of the following:

18 (A) That the practice privilege is denied.

19 (B) The reasons for denial.

20 (C) The earliest date on which the individual is eligible for a
21 practice privilege.

22 (D) That the individual has a right to appeal the notice and
23 request a hearing under the provisions of the Administrative
24 Procedure Act if a written notice of appeal and request for hearing
25 is made within 60 days.

26 (E) That, if the individual does not submit a notice of appeal
27 and request for hearing within 60 days, the board's action set forth
28 in the notice shall become final.

29 (2) Filing a statement of issues under the Administrative
30 Procedure Act.

31 (c) An individual who had been denied a practice privilege may
32 apply for a new practice privilege not less than one year after the
33 effective date of the notice or decision denying the practice
34 privilege unless a longer time period, not to exceed three years, is
35 specified in the notice or decision denying the practice privilege.

36 ***(d) This section shall become inoperative on July 1, 2013, and,***
37 ***as of January 1, 2014, is repealed, unless a later enacted statute,***
38 ***that becomes operative on or before January 1, 2014, deletes or***
39 ***extends the dates on which it becomes inoperative and is repealed.***

1 SEC. 13. Section 5096.2 is added to the Business and
2 Professions Code, to read:

3 5096.2. (a) (1) Practice privileges may be revoked for any of
4 the following reasons:

5 (A) If an individual no longer qualifies under, or complies with,
6 the provisions of this article or implementing regulations.

7 (B) If an individual commits any act that if committed by an
8 applicant for licensure would be grounds for denial of a license
9 under Section 480.

10 (C) If an individual commits any act that if committed by a
11 licensee would be grounds for discipline under Section 5100.

12 (D) If an individual commits any act outside of this state that
13 would be a violation if committed within this state.

14 (E) If an individual acquires at any time, while exercising the
15 practice privilege, any disqualifying condition under paragraph
16 (2).

17 (2) Disqualifying conditions include:

18 (A) Conviction of any crime other than a minor traffic violation.

19 (B) Revocation, suspension, denial, surrender, or other
20 discipline or sanctions involving any license, permit, registration,
21 certificate, or other authority to practice any profession in this or
22 any other state or foreign country or to practice before any state,
23 federal, or local court or agency, or the Public Company
24 Accounting Oversight Board.

25 (C) Any judgment or arbitration award against the individual
26 involving the professional conduct of the individual in the amount
27 of thirty thousand dollars (\$30,000) or greater.

28 (D) Any other conditions as specified by the board in regulation.

29 (3) The board may adopt regulations exempting specified minor
30 occurrences of the conditions listed in subparagraph (B) of
31 paragraph (2) from being disqualifying conditions under this
32 subdivision.

33 (b) The board may revoke practice privileges using either of
34 the following procedures:

35 (1) Notifying the individual in writing of all of the following:

36 (A) That the practice privilege is revoked.

37 (B) The reasons for revocation.

38 (C) The earliest date on which the individual may qualify for a
39 practice privilege.

1 (D) That the individual has a right to appeal the notice and
2 request a hearing under the provisions of the Administrative
3 Procedure Act if a written notice of appeal and request for hearing
4 is made within 60 days.

5 (E) That, if the individual does not submit a notice of appeal
6 and request for hearing within 60 days, the board's action set forth
7 in the notice shall become final.

8 (2) Filing a statement of issues under the Administrative
9 Procedure Act.

10 (c) An individual whose practice privilege has been revoked
11 may only subsequently exercise the practice privilege upon
12 application to the board for reinstatement of the practice privilege
13 not less than one year after the effective date of the notice or
14 decision revoking the practice privilege, unless a longer time
15 period is specified in the notice or decision revoking the practice
16 privilege.

17 (d) Holders of practice privileges are subject to suspension,
18 fines, or other disciplinary actions for any conduct that would be
19 grounds for discipline against a licensee of the board or for any
20 conduct in violation of this article or regulations adopted
21 thereunder.

22 (e) The board may recover its costs pursuant to Section 5107
23 as part of any disciplinary proceeding against the holder of a
24 practice privilege.

25 (f) The provisions of the Administrative Procedure Act,
26 including, but not limited to, the commencement of a disciplinary
27 proceeding by the filing of an accusation by the board, shall apply
28 under this article.

29 (g) If the board revokes or otherwise limits an individual's
30 practice privilege, the board shall promptly notify the regulatory
31 agency of the state or states in which the individual is licensed,
32 and the U.S. Securities and Exchange Commission, the Public
33 Company Accounting Oversight Board, and the National
34 Association of State Boards of Accountancy.

35 (h) This section shall become operative on July 1, 2013.

36 (i) This section shall remain in effect only until January 1, 2019,
37 and as of that date is repealed, unless a later enacted statute, that
38 is enacted before January 1, 2019, deletes or extends that date.

39 SEC. 14. Section 5096.2 is added to the Business and
40 Professions Code, to read:

1 5096.2. (a) Practice privileges may be denied for failure to
2 qualify under or comply with the provisions of this article or
3 implementing regulations, or for any act that if committed by an
4 applicant for licensure would be grounds for denial of a license
5 under Section 480 or if committed by a licensee would be grounds
6 for discipline under Section 5100, or for any act committed outside
7 of this state that would be a violation if committed within this state.

8 (b) The board may deny practice privileges using either of the
9 following procedures:

10 (1) Notifying the individual in writing of all of the following:

11 (A) That the practice privilege is denied.

12 (B) The reasons for denial.

13 (C) The earliest date on which the individual is eligible for a
14 practice privilege.

15 (D) That the individual has a right to appeal the notice and
16 request a hearing under the provisions of the Administrative
17 Procedure Act if a written notice of appeal and request for hearing
18 is made within 60 days.

19 (E) That, if the individual does not submit a notice of appeal
20 and request for hearing within 60 days, the board's action set forth
21 in the notice shall become final.

22 (2) Filing a statement of issues under the Administrative
23 Procedure Act.

24 (c) An individual who had been denied a practice privilege may
25 apply for a new practice privilege not less than one year after the
26 effective date of the notice or decision denying the practice
27 privilege unless a longer time period, not to exceed three years,
28 is specified in the notice or decision denying the practice privilege.

29 (d) This section shall become operative on January 1, 2019.

30 SEC. 15. Section 5096.3 of the Business and Professions Code
31 is amended to read:

32 5096.3. (a) Practice privileges are subject to revocation,
33 suspension, fines or other disciplinary sanctions for any conduct
34 that would be grounds for discipline against a licensee of the board
35 or for any conduct in violation of this article or regulations
36 implementing this article.

37 (b) Practice privileges are subject to discipline during any time
38 period in which they are valid, under administrative suspension,
39 or expired.

1 (c) The board may recover its costs pursuant to Section 5107
2 as part of any disciplinary proceeding against the holder of a
3 practice privilege.

4 (d) An individual whose practice privilege has been revoked
5 may apply for a new practice privilege not less than one year after
6 the effective date of the board's decision revoking the individual's
7 practice privilege unless a longer time period, not to exceed three
8 years, is specified in the board's decision revoking the practice
9 privilege.

10 (e) The provisions of the Administrative Procedure Act,
11 including, but not limited to, the commencement of a disciplinary
12 proceeding by the filing of an accusation by the board shall apply
13 under this article.

14 (f) *This section shall become inoperative on July 1, 2013, and,*
15 *as of January 1, 2014, is repealed, unless a later enacted statute,*
16 *that becomes operative on or before January 1, 2014, deletes or*
17 *extends the dates on which it becomes inoperative and is repealed.*

18 SEC. 16. Section 5096.3 is added to the Business and
19 Professions Code, to read:

20 5096.3. (a) Practice privileges are subject to revocation,
21 suspension, fines or other disciplinary sanctions for any conduct
22 that would be grounds for discipline against a licensee of the board
23 or for any conduct in violation of this article or regulations
24 implementing this article.

25 (b) Practice privileges are subject to discipline during any time
26 period in which they are valid, under administrative suspension,
27 or expired.

28 (c) The board may recover its costs pursuant to Section 5107
29 as part of any disciplinary proceeding against the holder of a
30 practice privilege.

31 (d) An individual whose practice privilege has been revoked
32 may apply for a new practice privilege not less than one year after
33 the effective date of the board's decision revoking the individual's
34 practice privilege unless a longer time period, not to exceed three
35 years, is specified in the board's decision revoking the practice
36 privilege.

37 (e) The provisions of the Administrative Procedure Act,
38 including, but not limited to, the commencement of a disciplinary
39 proceeding by the filing of an accusation by the board shall apply
40 under this article.

1 (f) *This section shall become operative on January 1, 2019.*`

2 SEC. 17. *Section 5096.4 of the Business and Professions Code*
3 *is amended to read:*

4 5096.4. (a) The right of an individual to practice in this state
5 under a practice privilege may be administratively suspended at
6 any time by an order issued by the board or its executive officer,
7 without prior notice or hearing, for the purpose of conducting a
8 disciplinary investigation, proceeding, or inquiry concerning the
9 representations made in the notice, the individual's competence
10 or qualifications to practice under practice privileges, failure to
11 timely respond to a board inquiry or request for information or
12 documents, or under other conditions and circumstances provided
13 for by board regulation.

14 (b) The administrative suspension order is immediately effective
15 when mailed to the individual's address of record or agent for
16 notice and service as provided for in this article.

17 (c) The administrative suspension order shall contain the
18 following:

19 (1) The reason for the suspension.

20 (2) A statement that the individual has the right, within 30 days,
21 to appeal the administrative suspension order and request a hearing.

22 (3) A statement that any appeal hearing will be conducted under
23 the provisions of the Administrative Procedure Act applicable to
24 individuals who are denied licensure, including the filing of a
25 statement of issues by the board setting forth the reasons for the
26 administrative suspension of practice privileges and specifying
27 the statutes and rules with which the individual must show
28 compliance by producing proof at the hearing and in addition any
29 particular matters that have come to the attention of the board and
30 that would authorize the administrative suspension, or the denial
31 of practice privileges.

32 (d) The burden is on the holder of the suspended practice
33 privilege to establish both qualification and fitness to practice
34 under practice privileges.

35 (e) The administrative suspension shall continue in effect until
36 terminated by an order of the board or the executive officer or
37 expiration of the practice privilege under administrative suspension.

38 (f) Administrative suspension is not discipline and shall not
39 preclude any individual from applying for a license to practice
40 public accountancy in this state or from applying for a new practice

1 privilege upon expiration of the one under administrative
2 suspension, except that the new practice privilege shall not be
3 effective until approved by the board.

4 (g) Notwithstanding any administrative suspension, a practice
5 privilege expires one year from the date of notice unless a shorter
6 period is set by board regulation.

7 (h) Proceedings to appeal an administrative suspension order
8 may be combined or coordinated with proceedings for denial or
9 discipline of a practice privilege.

10 (i) *This section shall become inoperative on July 1, 2013, and,*
11 *as of January 1, 2014, is repealed, unless a later enacted statute,*
12 *that becomes operative on or before January 1, 2014, deletes or*
13 *extends the dates on which it becomes inoperative and is repealed.*

14 SEC. 18. Section 5096.4 is added to the Business and
15 Professions Code, to read:

16 5096.4. (a) *The right of an individual to practice in this state*
17 *under a practice privilege may be administratively suspended at*
18 *any time by an order issued by the board or its executive officer,*
19 *without prior notice or hearing, for the purpose of conducting a*
20 *disciplinary investigation, proceeding, or inquiry concerning the*
21 *individual's competence or qualifications to practice under*
22 *practice privileges, failure to timely respond to a board inquiry*
23 *or request for information or documents, or under other conditions*
24 *and circumstances provided for by board regulation.*

25 (b) *The administrative suspension order is immediately effective*
26 *when mailed to the individual's address of record or agent for*
27 *notice and service as provided for in this article.*

28 (c) *The administrative suspension order shall contain the*
29 *following:*

30 (1) *The reason for the suspension.*

31 (2) *A statement that the individual has the right, within 30 days,*
32 *to appeal the administrative suspension order and request a*
33 *hearing.*

34 (3) *A statement that any appeal hearing will be conducted under*
35 *the provisions of the Administrative Procedure Act applicable to*
36 *individuals who are denied licensure, including the filing of a*
37 *statement of issues by the board setting forth the reasons for the*
38 *administrative suspension of practice privileges and specifying*
39 *the statutes and rules with which the individual must show*
40 *compliance by producing proof at the hearing and in addition any*

1 particular matters that have come to the attention of the board
2 and that would authorize the administrative suspension, or the
3 revocation of practice privileges.

4 (d) The burden is on the holder of the suspended practice
5 privilege to establish both qualification and fitness to practice
6 under practice privileges.

7 (e) The administrative suspension shall continue in effect until
8 terminated by an order of the board or the executive officer.

9 (f) Administrative suspension is not discipline and shall not
10 preclude any individual from applying for a license to practice
11 public accountancy in this state.

12 (g) Proceedings to appeal an administrative suspension order
13 may be combined or coordinated with proceedings for revocation
14 or discipline of a practice privilege.

15 (h) This section shall become operative on July 1, 2013.

16 (i) This section shall remain in effect only until January 1, 2019,
17 and as of that date is repealed, unless a later enacted statute, that
18 is enacted before January 1, 2019, deletes or extends that date.

19 SEC. 19. Section 5096.4 is added to the Business and
20 Professions Code, to read:

21 5096.4. (a) The right of an individual to practice in this state
22 under a practice privilege may be administratively suspended at
23 any time by an order issued by the board or its executive officer,
24 without prior notice or hearing, for the purpose of conducting a
25 disciplinary investigation, proceeding, or inquiry concerning the
26 representations made in the notice, the individual's competence
27 or qualifications to practice under practice privileges, failure to
28 timely respond to a board inquiry or request for information or
29 documents, or under other conditions and circumstances provided
30 for by board regulation.

31 (b) The administrative suspension order is immediately effective
32 when mailed to the individual's address of record or agent for
33 notice and service as provided for in this article.

34 (c) The administrative suspension order shall contain the
35 following:

36 (1) The reason for the suspension.

37 (2) A statement that the individual has the right, within 30 days,
38 to appeal the administrative suspension order and request a
39 hearing.

1 (3) *A statement that any appeal hearing will be conducted under*
2 *the provisions of the Administrative Procedure Act (Chapter 3.5*
3 *(commencing with Section 11340) of Part 1 of Division 3 of Title*
4 *2 of the Government Code) applicable to individuals who are*
5 *denied licensure, including the filing of a statement of issues by*
6 *the board setting forth the reasons for the administrative*
7 *suspension of practice privileges and specifying the statutes and*
8 *rules with which the individual must show compliance by producing*
9 *proof at the hearing and in addition any particular matters that*
10 *have come to the attention of the board and that would authorize*
11 *the administrative suspension, or the denial of practice privileges.*

12 (d) *The burden is on the holder of the suspended practice*
13 *privilege to establish both qualification and fitness to practice*
14 *under practice privileges.*

15 (e) *The administrative suspension shall continue in effect until*
16 *terminated by an order of the board or the executive officer or*
17 *expiration of the practice privilege under administrative*
18 *suspension.*

19 (f) *Administrative suspension is not discipline and shall not*
20 *preclude any individual from applying for a license to practice*
21 *public accountancy in this state or from applying for a new practice*
22 *privilege upon expiration of the one under administrative*
23 *suspension, except that the new practice privilege shall not be*
24 *effective until approved by the board.*

25 (g) *Notwithstanding any administrative suspension, a practice*
26 *privilege expires one year from the date of notice unless a shorter*
27 *period is set by board regulation.*

28 (h) *Proceedings to appeal an administrative suspension order*
29 *may be combined or coordinated with proceedings for denial or*
30 *discipline of a practice privilege.*

31 (i) *This section shall become operative on January 1, 2019.*

32 SEC. 20. *Section 5096.5 of the Business and Professions Code*
33 *is amended to read:*

34 5096.5. (a) *Notwithstanding any other provision of this article,*
35 *an individual may not sign any attest report pursuant to a practice*
36 *privilege unless the individual meets the experience requirements*
37 *of Section 5095 and completes any continuing education or other*
38 *conditions required by the board regulations implementing this*
39 *article.*

1 **(b)** *This section shall become inoperative on July 1, 2013, and,*
2 *as of January 1, 2014, is repealed, unless a later enacted statute,*
3 *that becomes operative on or before January 1, 2014, deletes or*
4 *extends the dates on which it becomes inoperative and is repealed.*

5 **SEC. 21.** *Section 5096.5 is added to the Business and*
6 *Professions Code, to read:*

7 5096.5. **(a)** *Notwithstanding any other provision of this article,*
8 *an individual may not sign any attest report pursuant to a practice*
9 *privilege unless the individual meets the experience requirements*
10 *of Section 5095.*

11 **(b)** *This section shall become operative on July 1, 2013.*

12 **(c)** *This section shall remain in effect only until January 1, 2019,*
13 *and as of that date is repealed, unless a later enacted statute, that*
14 *is enacted before January 1, 2019, deletes or extends that date.*

15 **SEC. 22.** *Section 5096.5 is added to the Business and*
16 *Professions Code, to read:*

17 5096.5. **(a)** *Notwithstanding any other provision of this article,*
18 *an individual may not sign any attest report pursuant to a practice*
19 *privilege unless the individual meets the experience requirements*
20 *of Section 5095 and completes any continuing education or other*
21 *conditions required by the board regulations implementing this*
22 *article.*

23 **(b)** *This section shall become operative on January 1, 2019.*

24 **SEC. 23.** *Section 5096.6 of the Business and Professions Code*
25 *is amended to read:*

26 5096.6. **(a)** *In addition to the authority otherwise provided*
27 *for by this code, the board may delegate to the executive officer*
28 *the authority to issue any notice or order provided for in this article*
29 *and to act on behalf of the board, including, but not limited to,*
30 *issuing a notice of denial of a practice privilege and an interim*
31 *suspension order, subject to the right of the individual to timely*
32 *appeal and request a hearing as provided for in this article.*

33 **(b)** *This section shall become inoperative on July 1, 2013, and,*
34 *as of January 1, 2014, is repealed, unless a later enacted statute,*
35 *that becomes operative on or before January 1, 2014, deletes or*
36 *extends the dates on which it becomes inoperative and is repealed.*

37 **SEC. 24.** *Section 5096.6 is added to the Business and*
38 *Professions Code, to read:*

39 5096.6. **(a)** *In addition to the authority otherwise provided for*
40 *by this code, the board may delegate to the executive officer the*

1 *authority to issue any notice or order provided for in this article*
2 *and to act on behalf of the board, including, but not limited to,*
3 *issuing an interim suspension order, subject to the right of the*
4 *individual to timely appeal and request a hearing as provided for*
5 *in this article.*

6 *(b) This section shall become operative on July 1, 2013.*

7 *(c) This section shall remain in effect only until January 1, 2019,*
8 *and as of that date is repealed, unless a later enacted statute, that*
9 *is enacted before January 1, 2019, deletes or extends that date.*

10 *SEC. 25. Section 5096.6 is added to the Business and*
11 *Professions Code, to read:*

12 *5096.6. (a) In addition to the authority otherwise provided for*
13 *by this code, the board may delegate to the executive officer the*
14 *authority to issue any notice or order provided for in this article*
15 *and to act on behalf of the board, including, but not limited to,*
16 *issuing a notice of denial of a practice privilege and an interim*
17 *suspension order, subject to the right of the individual to timely*
18 *appeal and request a hearing as provided for in this article.*

19 *(b) This section shall become operative on January 1, 2019.*

20 *SEC. 26. Section 5096.7 of the Business and Professions Code*
21 *is amended to read:*

22 *5096.7. Except as otherwise provided in this article, the*
23 *following definitions apply:*

24 *(a) Anywhere the term “license,” “licensee,” “permit,” or*
25 *“certificate” is used in this chapter or Division 1.5 (commencing*
26 *with Section 475), it shall include persons holding practice*
27 *privileges under this article, unless otherwise inconsistent with the*
28 *provisions of the article.*

29 *(b) Any notice of practice privileges under this article and*
30 *supporting documents is deemed an application for licensure for*
31 *purposes of the provisions of this code, including, but not limited*
32 *to, the provisions of this chapter and the provisions of Division*
33 *1.5 (commencing with Section 475) related to the denial,*
34 *suspension and revocation of licenses.*

35 *(c) Anywhere the term “employee” is used in this article it shall*
36 *include, but is not limited to, partners, shareholders, and other*
37 *owners.*

38 *(d) This section shall become inoperative on July 1, 2013, and,*
39 *as of January 1, 2014, is repealed, unless a later enacted statute,*

1 *that becomes operative on or before January 1, 2014, deletes or*
2 *extends the dates on which it becomes inoperative and is repealed.*

3 *SEC. 27. Section 5096.7 is added to the Business and*
4 *Professions Code, to read:*

5 *5096.7. (a) Anywhere the term “license,” “licensee,”*
6 *“permit,” or “certificate” is used in this chapter or Division 1.5*
7 *(commencing with Section 475), it shall include persons holding*
8 *practice privileges under this article, unless otherwise inconsistent*
9 *with the provisions of the article.*

10 *(b) Anywhere the term “employee” is used in this article it shall*
11 *include, but is not limited to, partners, shareholders, and other*
12 *owners.*

13 *(c) For purposes of this article, the term “license” includes*
14 *certificate or permit.*

15 *(d) This section shall become operative on July 1, 2013.*

16 *(e) This section shall remain in effect only until January 1, 2019,*
17 *and as of that date is repealed, unless a later enacted statute, that*
18 *is enacted before January 1, 2019, deletes or extends that date.*

19 *SEC. 28. Section 5096.7 is added to the Business and*
20 *Professions Code, to read:*

21 *5096.7. Except as otherwise provided in this article, the*
22 *following definitions apply:*

23 *(a) Anywhere the term “license,” “licensee,” “permit,” or*
24 *“certificate” is used in this chapter or Division 1.5 (commencing*
25 *with Section 475), it shall include persons holding practice*
26 *privileges under this article, unless otherwise inconsistent with*
27 *the provisions of the article.*

28 *(b) Any notice of practice privileges under this article and*
29 *supporting documents is deemed an application for licensure for*
30 *purposes of the provisions of this code, including, but not limited*
31 *to, the provisions of this chapter and the provisions of Division*
32 *1.5 (commencing with Section 475) related to the denial,*
33 *suspension and revocation of licenses.*

34 *(c) Anywhere the term “employee” is used in this article it shall*
35 *include, but is not limited to, partners, shareholders, and other*
36 *owners.*

37 *(d) This section shall become operative on January 1, 2019.*

38 *SEC. 29. Section 5096.10 of the Business and Professions Code*
39 *is amended to read:*

1 5096.10. (a) The provisions of this article shall only be
2 operative if commencing July 1, 2005, and continuing during the
3 period provided in Section 5096.11, there is an appropriation from
4 the Accountancy Fund in the annual Budget Act to fund the
5 activities in the article and sufficient hiring authority is granted
6 pursuant to a budget change proposal to the board to provide
7 staffing to implement this article.

8 (b) *This section shall become inoperative on July 1, 2013, and,*
9 *as of January 1, 2013, is repealed, unless a later enacted statute,*
10 *that becomes operative on or before January 1, 2013, deletes or*
11 *extends the dates on which it becomes inoperative and is repealed.*

12 SEC. 30. Section 5096.10 is added to the Business and
13 Professions Code, to read:

14 5096.10. (a) *The provisions of this article shall only be*
15 *operative if commencing July 1, 2005, and continuing during the*
16 *period provided in Section 5096.11, there is an appropriation from*
17 *the Accountancy Fund in the annual Budget Act to fund the*
18 *activities in the article and sufficient hiring authority is granted*
19 *pursuant to a budget change proposal to the board to provide*
20 *staffing to implement this article.*

21 (b) *This section shall become operative on January 1, 2019.*

22 SEC. 31. Section 5096.12 of the Business and Professions Code
23 is amended to read:

24 5096.12. (a) A certified public accounting firm that is
25 authorized to practice in another state and that does not have an
26 office in this state may engage in the practice of public accountancy
27 in this state through the holder of a practice privilege provided
28 that:

29 (1) The practice of public accountancy by the firm is limited to
30 authorized practice by the holder of the practice privilege.

31 (2) A firm that engages in practice under this section is deemed
32 to consent to the personal, subject matter, and disciplinary
33 jurisdiction of the board with respect to any practice under this
34 section.

35 (b) The board may revoke, suspend, issue a fine pursuant to
36 Article 6.5 (commencing with Section 5116), or otherwise restrict
37 or discipline the firm for any act that would be grounds for
38 discipline against a holder of a practice privilege through which
39 the firm practices.

1 (c) *This section shall become inoperative on July 1, 2013, and,*
2 *as of January 1, 2014, is repealed, unless a later enacted statute,*
3 *that becomes operative on or before January 1, 2014, deletes or*
4 *extends the dates on which it becomes inoperative and is repealed.*

5 SEC. 32. *Section 5096.12 is added to the Business and*
6 *Professions Code, to read:*

7 5096.12. (a) *A certified public accounting firm that is*
8 *authorized to practice in another state and that does not have an*
9 *office in this state may engage in the practice of public accountancy*
10 *in this state through the holder of a practice privilege provided*
11 *that:*

12 (1) *The practice of public accountancy by the firm is limited to*
13 *authorized practice by the holder of the practice privilege.*

14 (2) *A firm that engages in practice under this section is deemed*
15 *to consent to the personal, subject matter, and disciplinary*
16 *jurisdiction of the board with respect to any practice under this*
17 *section.*

18 (b) *The board may revoke, suspend, issue a fine pursuant to*
19 *Article 6.5 (commencing with Section 5116), or otherwise restrict*
20 *or discipline the firm for any act that would be grounds for*
21 *discipline against a holder of a practice privilege through which*
22 *the firm practices.*

23 (c) *A firm that provides the services described in subdivision*
24 *(d) of Section 5096 shall obtain a registration from the board.*

25 (d) *This section shall become operative on July 1, 2013.*

26 (e) *This section shall remain in effect only until January 1, 2019,*
27 *and as of that date is repealed, unless a later enacted statute, that*
28 *is enacted before January 1, 2019, deletes or extends that date.*

29 SEC. 33. *Section 5096.12 is added to the Business and*
30 *Professions Code, to read:*

31 5096.12. (a) *A certified public accounting firm that is*
32 *authorized to practice in another state and that does not have an*
33 *office in this state may engage in the practice of public accountancy*
34 *in this state through the holder of a practice privilege provided*
35 *that:*

36 (1) *The practice of public accountancy by the firm is limited to*
37 *authorized practice by the holder of the practice privilege.*

38 (2) *A firm that engages in practice under this section is deemed*
39 *to consent to the personal, subject matter, and disciplinary*

1 *jurisdiction of the board with respect to any practice under this*
2 *section.*

3 *(b) The board may revoke, suspend, issue a fine pursuant to*
4 *Article 6.5 (commencing with Section 5116), or otherwise restrict*
5 *or discipline the firm for any act that would be grounds for*
6 *discipline against a holder of a practice privilege through which*
7 *the firm practices.*

8 *(c) This section shall become operative on January 1, 2019.*

9 *SEC. 34. Section 5096.13 of the Business and Professions Code*
10 *is amended to read:*

11 5096.13. (a) The notification of intent to practice under a
12 practice privilege pursuant to Section 5096 shall include the name
13 of the firm, its address and telephone number, and its federal
14 taxpayer identification number.

15 *(b) This section shall become inoperative on July 1, 2013, and,*
16 *as of January 1, 2014, is repealed, unless a later enacted statute,*
17 *that becomes operative on or before January 1, 2014, deletes or*
18 *extends the dates on which it becomes inoperative and is repealed.*

19 *SEC. 35. Section 5096.13 is added to the Business and*
20 *Professions Code, to read:*

21 5096.13. (a) The notification of intent to practice under a
22 practice privilege pursuant to Section 5096 shall include the name
23 of the firm, its address and telephone number, and its federal
24 taxpayer identification number.

25 *(b) This section shall become operative on January 1, 2019.*

26 *SEC. 36. Section 5096.14 of the Business and Professions Code*
27 *is amended to read:*

28 5096.14. (a) An individual shall not be deemed to be in
29 violation of this article solely because he or she begins the practice
30 of public accounting in California prior to notifying the board as
31 indicated in subdivision (c) of Section 5096, provided the notice
32 is given within five business days of the date practice begins. An
33 individual who properly notifies the board within the five-day
34 period provided for in this section shall be deemed to have a
35 practice privilege from the first day of practice in California unless
36 the individual fails to timely submit the required fee pursuant to
37 subdivision (c) of Section 5096.

38 (b) Subdivision (a) does not apply in those instances in which
39 prior approval by the board is required pursuant to subdivision (g)
40 of Section 5096.

1 (c) In addition to any other applicable sanction, the board may
2 issue a fine pursuant to Section 5096.3 for notifying the board
3 more than five business days after beginning practice in California.

4 (d) *This section shall become inoperative on July 1, 2013, and,*
5 *as of January 1, 2014, is repealed, unless a later enacted statute,*
6 *that becomes operative on or before January 1, 2014, deletes or*
7 *extends the dates on which it becomes inoperative and is repealed.*

8 SEC. 37. Section 5096.14 is added to the Business and
9 Professions Code, to read:

10 5096.14. (a) *An individual shall not be deemed to be in*
11 *violation of this article solely because he or she begins the practice*
12 *of public accounting in California prior to notifying the board as*
13 *indicated in subdivision (c) of Section 5096, provided the notice*
14 *is given within five business days of the date practice begins. An*
15 *individual who properly notifies the board within the five-day*
16 *period provided for in this section shall be deemed to have a*
17 *practice privilege from the first day of practice in California unless*
18 *the individual fails to timely submit the required fee pursuant to*
19 *subdivision (c) of Section 5096.*

20 (b) *Subdivision (a) does not apply in those instances in which*
21 *prior approval by the board is required pursuant to subdivision*
22 *(g) of Section 5096.*

23 (c) *In addition to any other applicable sanction, the board may*
24 *issue a fine pursuant to Section 5096.3 for notifying the board*
25 *more than five business days after beginning practice in California.*

26 (d) *This section shall become operative on January 1, 2019.*

27 SEC. 38. Section 5096.15 of the Business and Professions Code
28 is amended to read:

29 5096.15. (a) It is the intent of the Legislature that the board
30 adopt regulations providing for a lower fee or no fee for out-of-state
31 accountants who do not sign attest reports for California clients
32 under the practice privilege. These regulations shall ensure that
33 the practice privilege program is adequately funded. These
34 regulations shall be adopted as emergency regulations in
35 accordance with Chapter 3.5 (commencing with Section 11340)
36 of Part 1 of Division 3 of Title 2 of the Government Code and, for
37 purposes of that chapter, the adoption of the regulations shall be
38 considered by the Office of Administrative Law to be necessary
39 for the immediate preservation of the public peace, health and
40 safety, and general welfare.

1 ***(b) This section shall become inoperative on July 1, 2013, and,***
2 ***as of January 1, 2014, is repealed, unless a later enacted statute,***
3 ***that becomes operative on or before January 1, 2014, deletes or***
4 ***extends the dates on which it becomes inoperative and is repealed.***

5 SEC. 39. Section 5096.15 is added to the Business and
6 Professions Code, to read:

7 5096.15. (a) *It is the intent of the Legislature that the board*
8 *adopt regulations providing for a lower fee or no fee for*
9 *out-of-state accountants who do not sign attest reports for*
10 *California clients under the practice privilege. These regulations*
11 *shall ensure that the practice privilege program is adequately*
12 *funded. These regulations shall be adopted as emergency*
13 *regulations in accordance with Chapter 3.5 (commencing with*
14 *Section 11340) of Part 1 of Division 3 of Title 2 of the Government*
15 *Code and, for purposes of that chapter, the adoption of the*
16 *regulations shall be considered by the Office of Administrative*
17 *Law to be necessary for the immediate preservation of the public*
18 *peace, health and safety, and general welfare.*

19 ***(b) This section shall become operative on January 1, 2019.***

20 SEC. 40. Section 5096.20 is added to the Business and
21 Professions Code, to read:

22 5096.20. (a) *To ensure that Californians are protected from*
23 *out-of-state licensees with disqualifying conditions who may*
24 *unlawfully attempt to practice in this state under a practice*
25 *privilege, prior to July 1, 2013, the board, on or before July 1,*
26 *2013, shall add features to the out-of-state licensee tab of the home*
27 *page of its Internet Web site that allow consumers to obtain*
28 *information about an individual whose principal place of business*
29 *is not in this state and who seeks to exercise a practice privilege*
30 *in this state, that is at least equal to the information that was*
31 *available to consumers through its home page prior to January 1,*
32 *2013, through the practice privilege form previously filed by*
33 *out-of-state licensees pursuant to Section 5096, as added by*
34 *Chapter 921 of the Statutes of 2004, and the regulations adopted*
35 *thereunder. At minimum, these features shall include all of the*
36 *following:*

37 ***(1) The ability of the consumer to search by name and state of***
38 ***licensure.***

39 ***(2) The disclosure of information in the possession of the board,***
40 ***which the board is otherwise authorized to publicly disclose, about***

1 *an individual exercising a practice privilege in this state, including,*
2 *but not limited to, whether the board has taken action of any form*
3 *against that individual and, if so, what the action was or is.*

4 *(3) A disclaimer that the consumer must click through prior to*
5 *being referred to any other board Internet Web site, which in plain*
6 *language explains that the consumer is being referred to an*
7 *Internet Web site that is maintained by a regulatory agency or*
8 *other entity that is not affiliated with the board. This disclaimer*
9 *shall include a link to relevant sections of this article that set forth*
10 *disqualifying conditions, including, but not limited to, Section*
11 *5096.2.*

12 *(4) A statement in plain language that notifies consumers that*
13 *they are permitted to file complaints against such individuals with*
14 *the board.*

15 *(5) A link to the Internet Web site or web sites that the board*
16 *determines, in its discretion, provides the consumer the most*
17 *complete and reliable information available about the individual's*
18 *status as a licenseholder, permitholder, or certificate holder.*

19 *(6) If the board of another state does not maintain an Internet*
20 *Web site that allows a consumer to obtain information about its*
21 *licensees including, but not limited to, disciplinary history, and*
22 *that information is not available through a link to an Internet Web*
23 *site maintained by another entity, a link to contact information for*
24 *that board, which contains a disclaimer in plain language that*
25 *explains that the consumer is being referred to a board that does*
26 *not permit the consumer to obtain information, including, but not*
27 *limited to, disciplinary history, about individuals through the*
28 *Internet Web site, and that the out-of-state board is not affiliated*
29 *with the board.*

30 *(b) The board shall biannually survey the Internet Web sites*
31 *and disclosure policies of other boards to ensure that its*
32 *disclaimers are accurate.*

33 *(e) This section shall remain in effect only until January 1, 2019,*
34 *and as of that date is repealed, unless a later enacted statute, that*
35 *is enacted before January 1, 2019, deletes or extends that date.*

36 *SEC. 41. Section 5096.21 is added to the Business and*
37 *Professions Code, to read:*

38 *5096.21. (a) On and after January 1, 2016, if the board*
39 *determines, through a majority vote of the board at a regularly*
40 *scheduled meeting at which a quorum is present, that allowing*

1 individuals from a particular state to practice in this state pursuant
2 to a practice privilege as described in Section 5096, violates the
3 board's duty to protect the public, the board shall require
4 out-of-state individuals licensed from that state, as a condition to
5 exercising a practice privilege in this state, to file the notification
6 form and pay the applicable fees as required by former Section
7 5096, as added by Chapter 921 of the Statutes of 2004, and
8 regulations adopted thereunder.

9 (b) The board shall, at minimum, consider the following factors
10 in making the determination required by subdivision (a):

11 (1) Whether the state investigates complaints and referrals from
12 the board in a timely manner.

13 (2) Whether the state makes the disciplinary history of its
14 licensees publicly available through the Internet in a manner that
15 allows the board to adequately link consumers to an Internet Web
16 site to obtain information that was previously made available to
17 consumers about individuals from the state prior to January 1,
18 2013, through the notification form.

19 (3) Whether the state imposes discipline against licensees that
20 is appropriate in light of the nature of the alleged misconduct.

21 (4) Whether the state adequately addresses enforcement
22 referrals made by the board to the accountancy regulatory board
23 of that state, or otherwise fails to respond to requests the board
24 deems necessary to meet its obligations under this article.

25 (c) Notwithstanding subdivision (a), if (1) the National
26 Association of State Boards of Accountancy (NASBA) adopts
27 enforcement best practices guidelines, (2) the board issues a
28 finding after a public hearing that those practices meet or exceed
29 the board's own enforcement practices, (3) a state has in place
30 and is operating pursuant to enforcement practices substantially
31 equivalent to the best practices guidelines, and (4) disciplinary
32 history of a state's licensees is publicly available through the
33 Internet in a manner that allows the board to link consumers to
34 an Internet Web site to obtain information comparable to the
35 information that was previously available to consumers through
36 the practice privilege form filed by out-of-state licensees pursuant
37 to former Section 5096, as added by Chapter 921 of the Statutes
38 of 2004, no practice privilege form shall be required to be filed
39 by any licensee of that state as required by subdivision (a), nor

1 shall the board be required to report on that state to the Legislature
2 as required by subdivision (d).

3 (d) (1) The board shall report to the relevant policy committees
4 of the Legislature, the director, and the public, upon request,
5 preliminary determinations made pursuant to this section no later
6 than July 1, 2015. The board shall, prior to January 1, 2016, and
7 thereafter as it deems appropriate, review its determinations made
8 pursuant to subdivision (b) to ensure that it is in compliance with
9 this section.

10 (2) This subdivision shall become inoperative on July 1, 2017,
11 pursuant to Section 10231.5 of the Government Code.

12 (e) On or before July 1, 2014, the board shall convene a
13 stakeholder group consisting of members of the board, board
14 enforcement staff, and representatives of the accounting profession
15 and consumer representatives to consider whether the penalties
16 set forth in this article are sufficient to deter violations of the
17 self-reporting requirements of Section 5096.

18 (f) On or before January 1, 2018, the board shall prepare a
19 report to be provided to the relevant policy committees of the
20 Legislature, the director, and the public, upon request, that, at
21 minimum, explains in detail all of the following:

22 (1) How the board has implemented this article and whether
23 implementation is complete.

24 (2) Whether this article is, in the opinion of the board, more,
25 less, or equivalent in the protection it affords the public than its
26 predecessor article.

27 (3) Describes how other state boards of accountancy have
28 addressed referrals to those boards from the board, the timeframe
29 in which those referrals were addressed, and the outcome of
30 investigations conducted by those boards.

31 (g) This section shall remain in effect only until January 1, 2019,
32 and as of that date is repealed, unless a later enacted statute, that
33 is enacted before January 1, 2019, deletes or extends that date.

34 ~~SEC. 3.~~

35 SEC. 42. No reimbursement is required by this act pursuant to
36 Section 6 of Article XIII B of the California Constitution because
37 the only costs that may be incurred by a local agency or school
38 district will be incurred because this act creates a new crime or
39 infraction, eliminates a crime or infraction, or changes the penalty
40 for a crime or infraction, within the meaning of Section 17556 of

1 the Government Code, or changes the definition of a crime within
2 the meaning of Section 6 of Article XIII B of the California
3 Constitution.

O